

Introduced by Senator Walters

December 3, 2012

An act to amend Sections 7522.02, 7522.15, 7522.20, and 7522.25 of, and to add Section 7522.03 to, the Government Code, relating to public employees' retirement.

LEGISLATIVE COUNSEL'S DIGEST

SB 24, as introduced, Walters. Public employees' retirement: benefit plans.

Existing law regulates state and local public retirement systems and generally requires public employees who are new members, as defined, of those systems, on and after January 1, 2013, to participate in specified benefit plans. Existing law permits a public employer that, before January 1, 2013, offers a defined benefit pension plan that provides a defined benefit formula with a lower benefit factor at normal retirement age, and results in a lower normal cost, than the defined benefit formula required for new employees on and after January 1, 2012, to continue to offer that defined benefit formula and excepts the employer from specified requirements regarding pensionable compensation. Existing law requires, in the case of these plans, if a new defined benefit formula is adopted on or after January 1, 2013, that the formula meet certain requirements and, among other things, be approved by the Legislature. Existing law prescribes the same requirements for a retirement benefit plan that consists solely of a defined contribution plan if the employer, on or after January 1, 2013, adopts a new defined benefit pension plan or defined benefit formula, as specified.

This bill would eliminate the requirement that the Legislature approve the changes in the instances described above. This bill would also authorize a local agency public employer or public retirement system

that offers a defined benefit pension plan to offer a benefit formula with a lower benefit factor at normal retirement age and that results in a lower normal cost than the benefit formulas that are currently required, for purposes of addressing a fiscal necessity.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 7522.02 of the Government Code is
2 amended to read:

3 7522.02. (a) (1) Notwithstanding any other law, except as
4 provided in this article, on and after January 1, 2013, this article
5 shall apply to all state and local public retirement systems and to
6 their participating employers, including the Public Employees'
7 Retirement System, the State Teachers' Retirement System, the
8 Legislators' Retirement System, the Judges' Retirement System
9 I, the Judges' Retirement System II, county and district retirement
10 systems created pursuant to the County Employees Retirement
11 Law of 1937, independent public retirement systems, and to
12 individual retirement plans offered by public employers. However,
13 this article shall be subject to the Internal Revenue Code and
14 Section 17 of Article XVI of the California Constitution. The
15 administration of the requirements of this article shall comply with
16 applicable provisions of the Internal Revenue Code and the
17 Revenue and Taxation Code.

18 (2) Notwithstanding paragraph (1), this article shall not apply
19 to the entities described in Section 9 of Article IX of, and Sections
20 4 and 5 of Article XI of, the California Constitution, except to the
21 extent that these entities continue to be participating employers in
22 any retirement system governed by state statute. Accordingly, any
23 retirement plan approved before January 1, 2013, by the voters of
24 any entity excluded from coverage by this section shall not be
25 affected by this article.

26 (b) The benefit plan required by this article shall apply to public
27 employees who are new members as defined in Section 7522.04.

28 (c) Individuals who were employed by any public employer
29 before January 1, 2013, and who became employed by a subsequent
30 public employer for the first time on or after January 1, 2013, shall
31 be subject to the retirement plan that would have been available

1 to employees of the subsequent employer who were first employed
2 by the subsequent employer on or before December 31, 2012, if
3 the individual was subject to reciprocity established under any of
4 the following provisions:

5 (1) Article 5 (commencing with Section 20350) of Chapter 3
6 of Part 3 of Division 5 of Title 2.

7 (2) Chapter 3 (commencing with Section 31450) of Part 3 of
8 Division 4 of Title 3.

9 (3) Any agreement between public retirement systems to provide
10 reciprocity to members of the systems.

11 (d) If a public employer, before January 1, 2013, offers a defined
12 benefit pension plan that provides a defined benefit formula with
13 a lower benefit factor at normal retirement age and results in a
14 lower normal cost than the defined benefit formula required by
15 this article, that employer may continue to offer that defined benefit
16 formula instead of the defined benefit formula required by this
17 article, and shall not be subject to the requirements of Section
18 7522.10 for pensionable compensation subject to that formula.
19 However, if the employer adopts a new defined benefit formula
20 on or after January 1, 2013, that formula must conform to the
21 requirements of this article or must be determined and certified by
22 the retirement system's chief actuary and the retirement board to
23 have no greater risk and no greater cost to the employer than the
24 defined benefit formula required by this article ~~and must be~~
25 ~~approved by the Legislature~~. New members of the defined benefit
26 plan may only participate in the lower cost defined benefit formula
27 that was in place before January 1, 2013, or a defined benefit
28 formula that conforms to the requirements of this article or is
29 approved by the Legislature as provided in this subdivision.

30 (e) If a public employer, before January 1, 2013, offers a
31 retirement benefit plan that consists solely of a defined contribution
32 plan, that employer may continue to offer that plan instead of the
33 defined benefit pension plan required by this article. However, if
34 the employer adopts a new defined benefit pension plan or defined
35 benefit formula on or after January 1, 2013, that plan or formula
36 must conform to the requirements of this article or must be
37 determined and certified by the retirement system's chief actuary
38 and the system's board to have no greater risk and no greater cost
39 to the employer than the defined benefit formula required by this
40 article ~~and must be approved by the Legislature~~. New members of

1 the employer's plan may only participate in the defined
2 contribution plan that was in place before January 1, 2013, or a
3 defined contribution plan or defined benefit formula that conforms
4 to the requirements of this article.

5 (f) The Judges' Retirement System I and the Judges' Retirement
6 System II shall not be required to adopt the defined benefit formula
7 required by Section ~~7522.25 or 7522.30~~ 7522.20 or 7522.25 or the
8 compensation limitations defined in Section 7522.10.

9 (g) This article shall not be construed to provide membership
10 in any public retirement system for an individual who would not
11 otherwise be eligible for membership under that system's
12 applicable rules or laws.

13 SEC. 2. Section 7522.03 is added to the Government Code, to
14 read:

15 7522.03. (a) Notwithstanding Section 7522.15, a local agency
16 public employer or public retirement system that offers a defined
17 benefit pension plan may, for purposes of addressing a fiscal
18 necessity, offer a benefit formula with a lower benefit factor at
19 normal retirement age and that results in a lower normal cost than
20 the benefit formula required by Section 7522.20 or 7522.25.

21 (b) The authority provided by subdivision (a) shall be exercised
22 upon the direction of the legislative body of the local agency, as
23 manifest in a duly enacted ordinance or resolution that describes
24 the fiscal necessity, or upon a vote of the people of the affected
25 jurisdiction.

26 (c) For purposes of this section, "local agency" means a city,
27 county, or district.

28 SEC. 3. Section 7522.15 of the Government Code is amended
29 to read:

30 7522.15. Except as provided in subdivisions (d) and (e) of
31 Section 7522.02 *or in Section 7522.03*, each public employer and
32 each public retirement system that offers a defined benefit plan
33 shall offer only the defined benefit formulas established pursuant
34 to Sections 7522.20 and 7522.25 to new members.

35 SEC. 4. Section 7522.20 of the Government Code is amended
36 to read:

37 7522.20. (a) ~~Each~~ *Except as provided in Section 7522.03*, each
38 retirement system that offers a defined benefit plan for nonsafety
39 members of the system shall use the formula prescribed by this
40 section. The defined benefit plan shall provide a pension at

retirement for service equal to the percentage of the member's final compensation set forth opposite the member's age at retirement, taken to the preceding quarter year, in the following table, multiplied by the number of years of service in the system as a nonsafety member. A member may retire for service under this section after five years of service and upon reaching 52 years of age.

Age of Retirement	Fraction
52	1.00
52 $\frac{1}{4}$	1.025
52 $\frac{1}{2}$	1.050
52 $\frac{3}{4}$	1.075
53	1.100
53 $\frac{1}{4}$	1.125
53 $\frac{1}{2}$	1.150
53 $\frac{3}{4}$	1.175
54	1.200
54 $\frac{1}{4}$	1.225
54 $\frac{1}{2}$	1.250
54 $\frac{3}{4}$	1.275
55	1.300
55 $\frac{1}{4}$	1.325
55 $\frac{1}{2}$	1.350
55 $\frac{3}{4}$	1.375
56	1.400
56 $\frac{1}{4}$	1.425
56 $\frac{1}{2}$	1.450
56 $\frac{3}{4}$	1.475
57	1.500
57 $\frac{1}{4}$	1.525
57 $\frac{1}{2}$	1.550
57 $\frac{3}{4}$	1.575
58	1.600
58 $\frac{1}{4}$	1.625
58 $\frac{1}{2}$	1.650
58 $\frac{3}{4}$	1.675
59	1.700
59 $\frac{1}{4}$	1.725
59 $\frac{1}{2}$	1.750

1	59 ³ / ₄	1.775
2	60	1.800
3	60 ¹ / ₄	1.825
4	60 ¹ / ₂	1.850
5	60 ³ / ₄	1.875
6	61	1.900
7	61 ¹ / ₄	1.925
8	61 ¹ / ₂	1.950
9	61 ³ / ₄	1.975
10	62	2.000
11	62 ¹ / ₄	2.025
12	62 ¹ / ₂	2.050
13	62 ³ / ₄	2.075
14	63	2.100
15	63 ¹ / ₄	2.125
16	63 ¹ / ₂	2.150
17	63 ³ / ₄	2.175
18	64	2.200
19	64 ¹ / ₄	2.225
20	64 ¹ / ₂	2.250
21	64 ³ / ₄	2.275
22	65	2.300
23	65 ¹ / ₄	2.325
24	65 ¹ / ₂	2.350
25	65 ³ / ₄	2.375
26	66	2.400
27	66 ¹ / ₄	2.425
28	66 ¹ / ₂	2.450
29	66 ³ / ₄	2.475
30	67	2.500

31

32 (b) Pensionable compensation used to calculate the defined
 33 benefit shall be limited as described in Section 7522.10.

34 (c) A new member of the State Teachers' Retirement System
 35 shall be subject to the formula established pursuant to Section
 36 24202.6 of the Education Code.

37 SEC. 5. Section 7522.25 of the Government Code is amended
 38 to read:

39 7522.25. (a) ~~Each~~ *Except as provided in Section 7522.03 each*
 40 retirement system that offers a defined benefit plan for safety

members of the system shall use one or more of the defined benefit formulas prescribed by this section. A member may retire for service under any of the formulas in this section after five years of service and upon reaching 50 years of age.

(b) The Basic Safety Plan shall provide a pension at retirement for service equal to the percentage of the member's final compensation set forth opposite the member's age at retirement, taken to the preceding quarter year, in the following table, multiplied by the number of years of service in the system as a safety member.

Age at Retirement	Fraction
50	1.426
50 $\frac{1}{4}$	1.447
50 $\frac{1}{2}$	1.467
50 $\frac{3}{4}$	1.488
51	1.508
51 $\frac{1}{4}$	1.529
51 $\frac{1}{2}$	1.549
51 $\frac{3}{4}$	1.570
52	1.590
52 $\frac{1}{4}$	1.611
52 $\frac{1}{2}$	1.631
52 $\frac{3}{4}$	1.652
53	1.672
53 $\frac{1}{4}$	1.693
53 $\frac{1}{2}$	1.713
53 $\frac{3}{4}$	1.734
54	1.754
54 $\frac{1}{4}$	1.775
54 $\frac{1}{2}$	1.795
54 $\frac{3}{4}$	1.816
55	1.836
55 $\frac{1}{4}$	1.857
55 $\frac{1}{2}$	1.877
55 $\frac{3}{4}$	1.898
56	1.918
56 $\frac{1}{4}$	1.939
56 $\frac{1}{2}$	1.959
56 $\frac{3}{4}$	1.980

1 57 and over 2.000

2

3 (c) The Safety Option Plan One shall provide a pension at
 4 retirement for service equal to the percentage of the member's
 5 final compensation set forth opposite the member's age at
 6 retirement, taken to the preceding quarter year, in the following
 7 table, multiplied by the number of years of service in the system
 8 as a safety member.

9

10	Age at Retirement	Fraction
11	50	2.000
12	50 $\frac{1}{4}$	2.018
13	50 $\frac{1}{2}$	2.036
14	50 $\frac{3}{4}$	2.054
15	51	2.071
16	51 $\frac{1}{4}$	2.089
17	51 $\frac{1}{2}$	2.107
18	51 $\frac{3}{4}$	2.125
19	52	2.143
20	52 $\frac{1}{4}$	2.161
21	52 $\frac{1}{2}$	2.179
22	52 $\frac{3}{4}$	2.196
23	53	2.214
24	53 $\frac{1}{4}$	2.232
25	53 $\frac{1}{2}$	2.250
26	53 $\frac{3}{4}$	2.268
27	54	2.286
28	54 $\frac{1}{4}$	2.304
29	54 $\frac{1}{2}$	2.321
30	54 $\frac{3}{4}$	2.339
31	55.....	2.357
32	55 $\frac{1}{4}$	2.375
33	55 $\frac{1}{2}$	2.393
34	55 $\frac{3}{4}$	2.411
35	56.....	2.429
36	56 $\frac{1}{4}$	2.446
37	56 $\frac{1}{2}$	2.464
38	56 $\frac{3}{4}$	2.482
39	57 and over.....	2.500

40

(d) The Safety Option Plan Two shall provide a pension at retirement for service equal to the percentage of the member's final compensation set forth opposite the member's age at retirement, taken to the preceding quarter year, in the following table, multiplied by the number of years of service in the system as a safety member.

Age at Retirement	Fraction
50	2.000
50 $\frac{1}{4}$	2.025
50 $\frac{1}{2}$	2.050
50 $\frac{3}{4}$	2.075
51	2.100
51 $\frac{1}{4}$	2.125
51 $\frac{1}{2}$	2.150
51 $\frac{3}{4}$	2.175
52	2.200
52 $\frac{1}{4}$	2.225
52 $\frac{1}{2}$	2.250
52 $\frac{3}{4}$	2.275
53	2.300
53 $\frac{1}{4}$	2.325
53 $\frac{1}{2}$	2.350
53 $\frac{3}{4}$	2.375
54	2.400
54 $\frac{1}{4}$	2.425
54 $\frac{1}{2}$	2.450
54 $\frac{3}{4}$	2.475
55	2.500
55 $\frac{1}{4}$	2.525
55 $\frac{1}{2}$	2.550
55 $\frac{3}{4}$	2.575
56	2.600
56 $\frac{1}{4}$	2.625
56 $\frac{1}{2}$	2.650
56 $\frac{3}{4}$	2.675
57 and over	2.700

(e) On and after January 1, 2013, an employer shall offer one or more of the safety formulas prescribed by this section to new

1 employees who are safety employees eligible for membership in
2 the system. The formula offered shall be the formula that is closest
3 to, and provides a lower benefit at 55 years of age than, the formula
4 provided to members in the same retirement classification offered
5 by the employer on December 31, 2012.

6 (f) On and after January 1, 2013, an employer and its employees
7 subject to Safety Option Plan One or Safety Option Plan Two may
8 agree in a memorandum of understanding to be subject to Safety
9 Option Plan One or the Basic Safety Plan, subject to the following:

10 (1) The lower plan shall apply to members first employed on
11 or after the effective date of the lower plan, and shall be agreed to
12 in a memorandum of understanding that has been collectively
13 bargained in accordance with applicable laws.

14 (2) A retirement plan contract amendment with a public
15 retirement system to alter a retirement formula pursuant to this
16 subdivision shall not be implemented by the employer in the
17 absence of a memorandum of understanding that has been
18 collectively bargained in accordance with applicable laws.

19 (3) An employer shall not use impasse procedures to impose
20 the lower plan.

21 (4) An employer shall not provide a different defined benefit
22 for nonrepresented, managerial, or supervisory employees than
23 the employer provides for other public employees, including
24 represented employees, of the same employer who are in the same
25 membership classifications.

26 (g) Pensionable compensation used to calculate the defined
27 benefit shall be limited as described in Section 7522.10.